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VERTEX FUND

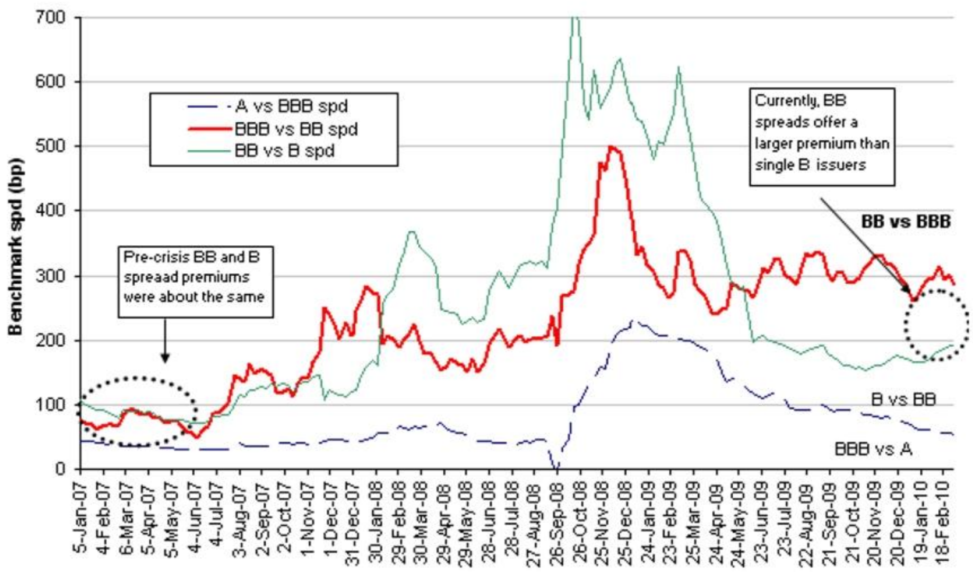
First Quarter Report, 2010

"The memorable events of history are the visible effects of the invisible changes in human thought."
Gustave Le Bon, The Crowd 1894

The demand for yield continued this past quarter as the markets thirst for all things that have a stable yield. In an environment where the PIIGS (Portugal, Italy, Ireland, Greece, Spain) make most of the noise there are many more countries that are going through a restructuring after the credit crunch. So much so, that highly respected corporate credits like Berkshire Hathaway actually traded at a yield less than US Treasuries. Governments have gotten so carried away (Greece – with off balance sheet transactions), that investors now trust the return of their capital more to corporations than the countries or governments where they themselves reside. The runs on the banks last year are now runs on governments, although Greece is currently experiencing runs on both. One of our favorite new investments is the National Bank of Greece that admittedly has a bad name (that's Greek to me) but a profitable bank that has never lost money during the crisis and yields 10% on its preferreds. It yields 3.5% over its country's messy government bonds and we think in time it will be a better credit rating than the country and this bank has been subject to investor discontent because of its name which investors are confusing with the country.

The yield trade continues as the graph shows and last month was a record for new issuance of debt in America.

COMPARING BB VS BBB GRADE BONDS



Source: Credit Suisse

This graph represents where most of the performance has come from in the Vertex fund and you can see we still have a long way to go before the spread curve returns to normal. But as the curve shifts back to its normal position it means some bonds we have owned over the past year are being shown the door for greener pastures. Sandisk is a bond we bought one year ago with nearly a 20% yield, and it now yields 5%. We can do much better in Greece and Germany, where in our opinion, the opportunities look like the ones we saw in the US and Canada one year ago.

Merger Arb was the catalyst that showed us the way for credit investments one year ago. Currently most bonds that we like yield more than most merger opportunities, however most of our ideas spring from this seed. In that light we have hired two new investment professionals who joined us from one of Canada's largest banks that does a lot of Imperial Commerce! Craig Chilton and Tom Savage worked on the proprietary trading desk that deployed the bank's capital. If you ever wondered what happened to your money in a bank account now you can read our quarterly newsletter or give a call to Craig and his colleague Tom (who recently completed his MBA at Harvard), to fill you in on the event driven ideas we currently like.

In the last quarter M&A activity continued to rebound from depressed 2009 levels, although it remains well below the peak levels of 2007. We saw several hostile/competitive bid situations in the first quarter that have emboldened risk arbitrage players to be willing to put on spreads for relatively little return, in exchange for the upside optionality of a revised offer or a competing bidder. As a result, and exacerbated by near-zero short-term funding rates, the return opportunities in merger arbitrage are challenging. Unlevered rates of return on straight-forward merger arbitrage spreads are in the neighborhood of 5% annualized. While spreads are being compressed, the risks are unchanged, creating an unfavourable risk/reward. Nevertheless, the heightened deal activity has provided fertile ground for event-driven investing (as opposed to definitive merger arbitrage) as the number of situations is inordinately large. We had some success in the quarter with competitive bid situations in Millipore Corporation and Terra Industries. The benchmark acquisition of Burlington Northern by Berkshire Hathaway also closed during the quarter. Warren Buffett did the largest acquisition he has ever done and he finally got his train set.

One other item that helped our performance was what helped destroy our performance in 2008. This was the listing of Athabasca Oil Sands by Morgan Stanley and GMP. This has been the largest return for any investment we have ever held. We received a 22.5 million dollar dividend this past quarter on our original five million dollar investment, have sold half our shares and still own the last half representing a value of $95 million dollars. As my partner Matt says, "the oil sands just keep on giving".

As you may have noted you did not receive a tax slip from Vertex this year as none of our funds were in a taxable position in 2009 due to tax loss carry forward.

PERFORMANCE

The Vertex Fund (Class A) returned 87.29% for the year ended March 31, 2010.

	Rate of Return (Class A)					
Net Asset Value	**1 Mo.**	**3 Mos.**	**1 Yr.**	**3 Yrs.***	**5 Yrs.***	**Since Inception***
$67.7684	**6.92%**	**10.11%**	**87.29%**	**7.40%**	**12.95%**	**19.94%**

*Annualized

Past performance is not indicative of future results
All data are based on the Class A unit values

Vertex One Asset Management